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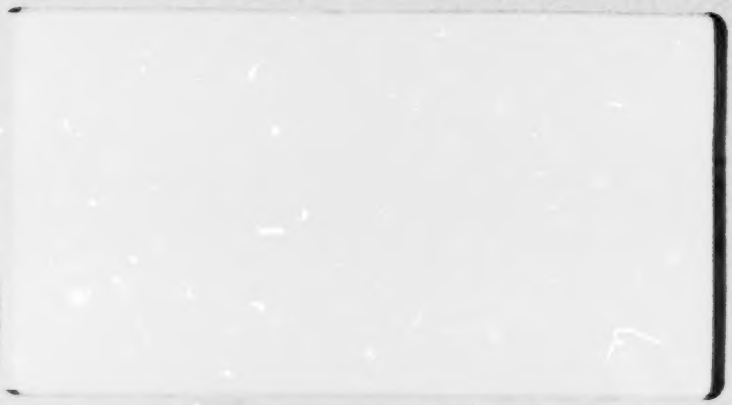

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Allan G. Andrews, C.A.
Metropolitan Auditor

THE METROPOLITAN TORONTO SINKING FUNDS

Report on the audit of the books and accounts for the year ended

December 31, 1983

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1
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Allan G. Andrews, C.A., *Metropolitan Auditor*

February 24, 1984

**The Chairman and Members of the
Metropolitan Toronto Sinking Fund Committee**

I have examined the 1983 financial statements of the Metropolitan Toronto Sinking Funds. Copies of the financial statements, together with my opinion addressed to the Sinking Fund Committee, are attached at the end of this report in which I comment in some detail on accounting procedures and the content of the financial statements.

GENERAL BACKGROUND

Purpose

Since its inception, the Municipality of Metropolitan Toronto has had the exclusive authority, subject to the approval of the Ontario Municipal Board, to issue debentures for its own purposes, its local boards, commissions and agencies, its member area municipalities and the Metropolitan Toronto School Board.

Those entities on whose behalf sinking fund debentures are issued must contribute annually to the Sinking Funds amounts which, together with the interest earned by the Funds, will be sufficient to provide for the repayment of the debentures on their maturity.

In theory, each debenture issue generates a separate Sinking Fund and it is treated as such for purposes of determining over-contributions. In practice there are two major groupings, i.e. Funds for debentures issued in U.S. dollars and Funds for debentures issued in Canadian dollars. Each of these Funds is further divided into separate groups whenever differing actuarial interest rates are used in computing the annual provision. Presently, there are two such groupings within each of the U.S. dollar and Canadian dollar Funds; those with a 3% rate used for debentures issued up to December 31, 1975, and those with a 5% rate used for debentures issued after that date. Since the proportionate interests of the members of the Funds are not equal in the 3% or 5% portions, separate records, including those for investment income, are maintained for each. In addition, transactions between the portions of the Funds, which sometimes occur because of cash flow requirements, are treated in the accounts as arms length transactions. Accordingly, the financial statements present combined rather than consolidated results and positions of each of the U.S. and Canadian dollar Funds.

Statutory Provisions

The Metropolitan Corporation is permitted to issue sinking fund debentures under section 227(2), of the Municipality of Metropolitan Toronto Act and the rules governing the operation and administration of the Sinking Funds are contained in subsections 22 to 44 as follows:

1. All assets of the Funds must be under the sole control and management of the Sinking Fund Committee. This Committee is to be composed of the Treasurer of the Metropolitan Corporation and two members appointed by the Metropolitan Council.

2. The amount raised annually for the Sinking Funds is an amount which, together with capitalized interest estimated at not more than 5% per annum, will be sufficient to pay off the related debentures upon maturity. Commencing February 23, 1983, the maximum capitalized interest has been raised to 8%.

3. Before the annual estimates are approved by Metropolitan Council, the Treasurer must present a statement to the Council showing the amount required for the Sinking Funds in that year.

4. All sinking fund monies must be deposited in consolidated bank accounts under the sole control of the Sinking Fund Committee.

5. Investments may be made in securities authorized by the Trustee Act, and in securities issued by the Government of the United States; and in such other securities as authorized by the Lieutenant Governor-in-Council. Investments may also be made in debentures of the Metropolitan Corporation in temporary advances to the Metropolitan Corporation pending the sale of debentures and in temporary loans for current expenditures where such temporary loans are repayable within the current fiscal year.

6. The earnings of the Funds are to be allocated on a specific basis to each component part of the Sinking Funds.

7. If it appears at any time that continuing a levy under a sinking fund by-law will, when combined with the estimated earnings, produce funds in excess of requirements, the Sinking Fund Committee, the Metropolitan Council, the council of an area municipality, the Metropolitan Toronto School Board or a board of education in the Metropolitan Area may request the Ontario Municipal Board to authorize the Metropolitan Council or the council of an area municipality to reduce such levy.

8. Where a surplus remains in any sinking fund account after the related debentures have been paid off or fully provided for, the Sinking Fund Committee shall either:

a) Transfer the surplus to another sinking fund account, or

b) Authorize the withdrawal of the surplus from the consolidated bank accounts to be used for one or more of the following purposes:

i) Retiring unmatured debentures of the Metropolitan Corporation or of an area municipality.

ii) Reducing the next annual levy on account of principal and interest payable with respect to debentures of the Metropolitan Corporation or of an area municipality.

iii) Reducing the amount of debentures to be issued for other capital expenditures for which the issue of debentures has been approved by the Ontario Municipal Board.

iv) Defraying the cost of other capital expenditures in lieu of issuing debentures.

In all cases, the surplus must be used for the purposes of the Metropolitan Council, the council of an area municipality, the Metropolitan Toronto School Board for public and secondary schools, boards of education for public and secondary schools, the Toronto Transit Commission, a hydro-electric system and the Metropolitan Waterworks. The surplus must be allocated to each in the proportion that the contribution for the purposes of each bears to the total contributions to the sinking fund account where the surplus arose.

9. Any deficit in a sinking fund account must be provided by the Metropolitan Corporation.

Appointments to the Sinking Fund Committee

The Sinking Fund Committee for 1983 was composed of Mr. H.E. Brown, F.C.A., Mr. J.E. Prudham, with Mr. J. Pickard, F.C.A., the Metropolitan Treasurer, as chairman.

General Description of Accounting Practices and Records

The accounting records of the Committee are kept in the Treasury Department of the Metropolitan Corporation and are separate from the other books and records of the Corporation. Separate Funds are maintained relating to debentures payable in the United States and those payable in Canada.

Bank accounts, in the name of The Municipality of Metropolitan Toronto Sinking Fund, are maintained in the Toronto Dominion Bank, King and Bay Streets Branch, Toronto, for the Canadian Fund, and in The Agency of the Canadian Imperial Bank of Commerce, New York, for the U.S. Fund. All cheques are signed by the chairman and one of the other two members of the Committee.

COMMENTS ON THE FINANCIAL STATEMENTS

The financial statements show the details separately of the Canadian and U.S. Funds, expressed in each of these currencies.

Net earnings in excess of actuarial requirements accumulated to $107,347,000 and $23,105,000 in the Canadian and U.S. Sinking Funds respectively at December 31, 1983. These net earnings represent, in effect, funds available to decrease future contributions required to be made by the contributors. In order

to do this, certain formal procedures must be followed as set out on pages 3 and 4. In fact, of these totals $65,806,000 in the Canadian Fund and $7,144,000 in the U.S. Fund have already been committed to reduce future contributions and are designated as such on the Balance Sheet.

The following comments cover the highlights in the financial statements.

BALANCE SHEET

Temporary Investments:

Canadian Fund - $44,728,000
U.S. Funds - $ 6,300,000

The Committee's temporary investment portfolio is carried at cost which approximates realizable value. It is comprised of term deposits, marketable interest bearing bankers' acceptances and trust companies' investment certificates.

A summary of the temporary investment transactions in the year is as follows:

	Canadian Fund	U.S. Fund
Book value, December 31, 1982	$ 30,743,000	$ 9,800,000
Add: Invested during year	129,105,000	91,900,000
	159,848,000	101,700,000
Less: Investments matured	115,120,000	95,400,000
Book value, December 31, 1983	$ 44,728,000	$ 6,300,000

Cash on hand is temporarily invested until required for redemption of debentures or pending the availability of suitable long term investments.

Long Term Investments

Canadian Fund -	$482,030,000
U.S. Fund -	$132,604,000

Summaries of the changes in long term investments in 1983 are as follows:

	Canadian Fund	U.S. Fund
Book value, December 31, 1982	$520,825,000	$100,140,000
Add: Purchases at cost	42,932,000	33,629,000
Amortization of discount, net of premiums on investments	7,114,000	1,589,000
	570,871,000	135,358,000
Less: Investments matured, called for redemption or sold	88,841,000	2,754,000
Book value, December 31, 1983	$482,030,000	$132,604,000

A summary of the long term investments is set out in Note 2 in the Notes to Financial Statements.

Note 1(c) in the Notes to Financial Statements sets out the accounting policy of the Sinking Fund Committee when making investments. All purchases of investments have been approved by the Sinking Fund Committee and were of the type permitted under the Municipality of Metropolitan Toronto Act.

Except for debentures with a principal value of $250,000 issued by the Municipal Finance Authority of British Columbia in bearer form (without provision for registration), all the investment debentures were registered in the name of The Municipality of Metropolitan Toronto Sinking Fund Committee.

Accounts Payable:

Canadian Fund -	$ 30,760,000
U.S. Fund -	$ 914,000

After certain sinking fund deposits were reduced as authorized by the Ontario Municipal Board, and all earnings from sinking fund investments were allocated in accordance with the Municipality of Metropolitan Toronto Act, the actual amount of the Funds still exceeded the par value of the debt outstanding on issues that matured in 1983 and on a number of other issues which will be maturing in 1984 to 1991.

These excess earnings were transferred from unappropriated surplus to accounts payable to be distributed in 1984 to the affected participants. On February 23, 1984, the Sinking Fund Committee authorized the withdrawal of these surplus amounts from the consolidated bank accounts and the payment to these participants with the recommendation that such amounts be applied in accordance with the requirements of the Municipality of Metropolitan Toronto Act as described in Item 8 (b) (iii) and (iv) on page 4.

The participants and amounts payable are as follows:

	Canadian Fund	U.S. Fund
Metropolitan purposes:		
Municipality of Metropolitan Toronto	$ 11,470,000	
The Metropolitan Toronto School Board:		
Public	4,020,000	
Secondary	3,876,000	
	7,896,000	
Public utilities:		
Waterworks	4,945,000	$ 447,000
Toronto Transit Commission		226,000
	4,945,000	673,000
Total Metropolitan purposes	24,311,000	673,000
Area municipalities:		
East York	332,000	
Etobicoke	930,000	
North York	1,232,000	
Scarborough	454,000	
Toronto	3,090,000	241,000
York	293,000	
Total area municipalities	6,331,000	241,000
Province of Ontario (Administration of Justice)	118,000	
Accounts payable - refunds to contributors	$ 30,760,000	$ 914,000

Actuarial Requirements:

Canadian Fund -	$399,416,000
U.S. Fund -	$118,129,000

These amounts comprise the actuarial values as at December 31, 1983 of the accumulated deposits originally required by the sinking fund debenture by-laws, plus capitalized interest of 3% per annum for debentures issued to December 31, 1975, and 5% for debentures issued subsequently. Upon maturity of any debentures, the actuarial requirements, calculated on the above basis, will equal their par values. At that time, the Committee must pay the Metropolitan Corporation the necessary funds to redeem the debentures.

The changes in the actuarial requirements for retirement of debentures during 1983 are set out in the "Schedule of Actuarial Requirements for Retirement of Debentures".

Reserve for Abatement of Future Levies:

Canadian Fund -	$ 65,806,000
U. S. Fund -	$ 7,144,000

When it is determined that actual amounts at the credit of certain by-laws exceed the actuarial requirements, applications are made by the Sinking Fund Committee to the Ontario Municipal Board for authority to reduce or cancel the levies for those by-laws for the remaining years to maturity. The total amounts authorized by the Ontario Municipal Board by which future levies will be reduced has been transferred from the unappropriated surplus accounts to the respective reserves for abatement of future levies.

In the current year, amounts of Canadian $15,348,000 and U.S. $3,226,000 were transferred into these reserves as follows:

	Canadian Fund	U.S. Fund
Metropolitan purposes:		
General	$ 8,421,000	$ 278,000
Waterworks	2,536,000	47,000
Total Metropolitan purposes:	10,957,000	325,000
Area municipality purposes:		
East York	127,000	82,000
Etobicoke	458,000	277,000
North York	233,000	1,073,000
Scarborough	475,000	343,000
Toronto	1,508,000	1,041,000
York	181,000	85,000
Total area municipalities	2,982,000	2,901,000
Province of Ontario (Administration of Justice)	1,409,000	
Appropriation to reserve for abatement of future levies	$ 15,348,000	$ 3,226,000

The amounts of Canadian $16,236,000 and U.S. $1,206,000 have been applied from these reserves to reduce contributions for 1983 as follows:

	Canadian Fund	U.S. Fund
Metropolitan purposes:		
General	$ 6,529,000	$ 95,000
Schools:		
Public	1,579,000	
Secondary	1,451,000	
	3,030,000	
Public utilities:		
Waterworks	2,424,000	129,000
Toronto Transit Commission	44,000	55,000
	2,468,000	184,000
Total Metropolitan purposes	12,027,000	279,000
Area municipalities:		
East York	220,000	24,000
Etobicoke	568,000	80,000
North York	592,000	313,000
Scarborough	297,000	97,000
Toronto	2,076,000	388,000
York	236,000	25,000
Total area municipalities	3,989,000	927,000
Province of Ontario (Administration of Justice)	220,000	
Total applied to reduce 1983 contributions	$ 16,236,000	$ 1,206,000

The changes in the reserves for abatement of future levies during the year are set out in the Statements of Surplus.

The amount of Canadian $65,806,000 and U.S. $7,144,000 remaining in the reserves stands to the credit of the various participants as set out on page 13 and will, as I already pointed out, be used to reduce future levies. The analysis is, however, based on the debt responsibility of the various participants as at December 31, 1983, and is subject to changes arising out of any future transfers of such responsibility.

	Canadian Fund	U.S. Fund
Metropolitan purposes:		
General	$ 32,444,000	$ 586,000
Schools:		
Public	1,307,000	
Secondary	2,037,000	
	3,344,000	
Public utilities:		
Waterworks	10,692,000	546,000
Toronto Transit Commission	443,000	164,000
	11,135,000	710,000
Total Metropolitan purposes	46,923,000	1,296,000
Area municipalities:		
East York	598,000	159,000
Etobicoke	1,471,000	535,000
North York	1,561,000	2,101,000
Scarborough	1,560,000	673,000
Toronto	10,029,000	2,213,000
York	716,000	167,000
Total area municipalities	15,935,000	5,848,000
Province of Ontario (Administration of Justice)	2,948,000	
Reserve for abatement of future levies	$ 65,806,000	$ 7,144,000

Unappropriated Surplus:

Canadian Fund -	$ 41,541,000
U.S. Fund -	$ 15,961,000

The unappropriated surplus represents the excess earnings of the Funds over the actuarial earnings, less amounts appropriated for the abatement of future levies and refunds to contributors which was discussed under the heading "Accounts Payable" on page 8. Changes in these accounts during 1983 are set out in the Statements of Surplus.

STATEMENTS OF FUNDS AVAILABLE AND REQUIRED FOR DEBENTURE DEBT REDEMPTION

Funds to meet the current year's actuarial requirements are available from resources already built up within the Funds, that is the excess of the earnings of prior years over the amounts actuarially required in these years; from contributions by the participants on whose behalf sinking fund debentures were issued; and from income from the investments of the assets of the Funds.

Funds Available - From Reserve for Abatement of Future Levies:

Canadian Fund -	$ 16,236,000
U.S. Fund -	$ 1,206,000

As set out in Note 1(e) to the Financial Statements, the required contributions for certain by-laws for the current year have been reduced as authorized by the Ontario Municipal Board, and the totals of such reductions have been made up by transfers from the reserves for abatement of future levies, the details of which are set out on page 12.

Funds Available - From Current Year's Receipts:

Contributions:

Canadian Fund -	$ 16,535,000
U.S. Fund -	$ 17,860,000

The above amounts are actual deposits received from the participants. Because of the excess earnings of prior years, deposits required by certain debenture by-laws were reduced in the current year as discussed under the previous heading.

The following is a summary of the purposes by fund for which the deposits were received. The Treasurer submitted a statement to the Metropolitan Council on February 15, 1983 detailing the amounts required to be levied in 1983 for the two Funds.

	Canadian Fund	U.S. Fund
Metropolitan purposes		
General	$ 7,871,000	$ 4,898,000
Public utilities:		
Waterworks	1,771,000	1,685,000
Toronto Transit Commission	324,000	
	2,095,000	1,685,000
Total Metropolitan purposes	9,966,000	6,583,000
Area municipality purposes:		
East York	239,000	515,000
Etobicoke	894,000	1,324,000
North York	669,000	2,932,000
Scarborough	1,001,000	1,423,000
Toronto	3,360,000	4,519,000
York	265,000	564,000
Total area municipalities	6,428,000	11,277,000
Province of Ontario (Administration of Justice)	141,000	
Total Contributions	$16,535,000	$17,860,000

Investment Income:

Canadian Fund -	$ 54,241,000
U.S. Fund -	$ 13,962,000

A breakdown of these amounts is set out in the "Schedule of Investment Income."

Since investments are bought at market values which are invariably different to their par values, the premiums and discounts experienced on purchases are amortized over the remaining life of the investments. Consequently, the investment income of the Funds for any year reflects actual interest earned adjusted by the net amortization of premiums and discounts for that year.

	Canadian Fund	U.S. Fund
Amortization of discount	$ 7,134,000	$ 1,625,000
Amortization of premium	(20,000)	(36,000)
	7,114,000	1,589,000
Interest income	47,127,000	12,373,000
Investment income	$54,241,000	$13,962,000

Funds Required - Provision for Actuarial Requirement for Current Year

Canadian Fund -	$ 45,287,000
U.S. Fund -	$ 24,206,000

The above amounts represent the actuarial fund deposits required for the year by the related debenture by-laws, together with actuarial interest.

The following is a summary of the actuarial amounts required by the Funds for 1983:

	Canadian Fund	U.S. Fund
Metropolitan purposes:		
General	$19,977,000	$ 6,662,000
Schools:		
Public	2,486,000	
Secondary	2,326,000	
	4,812,000	
Public utilities:		
Waterworks	6,064,000	2,496,000
Toronto Transit Commission	602,000	119,000
	6,666,000	2,615,000
Total Metropolitan purposes	31,455,000	9,277,000
Area municipality purposes:		
East York	601,000	626,000
Etobicoke	1,807,000	1,701,000
North York	1,656,000	4,094,000
Scarborough	1,578,000	1,886,000
Toronto	6,965,000	5,935,000
York	638,000	687,000
Total area municipalities	13,245,000	14,929,000
Province of Ontario (Administration of Justice)	587,000	
Total Sinking Fund Provision	$45,287,000	$24,206,000

General Comments:

1. Fidelity Bond

In 1983, all employees of the Metropolitan Corporation were bonded for $1,000,000 per loss and employees of the Treasury department who handle securities were bonded for an additional amount of $4,000,0000.

As required by section 227(27) of the Municipality of Metropolitan Toronto Act, each member of the Sinking Fund Committee is now bonded in the amount of $1 million per loss.

In my opinion, this coverage is adequate.

2. Unmatured Sinking Fund Debenture Debt

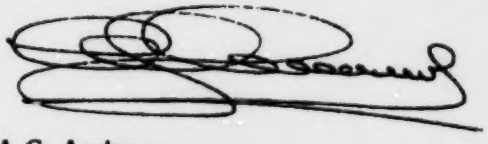
As at December 31, 1983, the unmatured sinking fund debentures issued by the Metropolitan Corporation payable in Canadian funds amounted to $759,034,000, and the Sinking Funds for these debentures accumulated to $506,763,000.

Similarly, the unmatured debentures payable in U.S. funds at the same date amounted to $337,851,000, and the related Sinking Funds amounted to $141,234,000. Details are set out below:

	Canadian Fund		U.S. Fund	
	Par Value of Debt	Amount of Sinking Fund	Par Value of Debt	Amount of Sinking Fund
Metropolitan purposes:				
General	$378,916,000	$235,999,000	$140,776,000	$ 44,318,000
Schools:				
Public	24,128,000	24,128,000		
Secondary	29,207,000	29,207,000		
	53,335,000	53,335,000		
Public utilities:				
Waterworks	105,230,000	79,048,000	53,543,000	20,249,000
Toronto Transit Comm.	17,533,000	12,869,000	2,599,000	2,599,000
	122,763,000	91,917,000	56,142,000	22,848,000
Total Metropolitan purposes	555,014,000	381,251,000	196,918,000	67,166,000
Area municipality purposes:				
East York	8,355,000	5,101,000	5,211,000	2,520,000
Etobicoke	23,515,000	13,196,000	16,944,000	8,228,000
North York	21,419,000	14,707,000	35,240,000	22,813,000
Scarborough	23,106,000	11,321,000	22,143,000	9,798,000
Toronto	102,598,000	65,045,000	54,608,000	27,970,000
York	11,583,000	5,014,000	6,787,000	2,739,000
Total area municipalities	190,576,000	114,384,000	140,933,000	74,068,000
Province of Ontario (Administration of Justice)	13,444,000	11,128,000		
Total	$759,034,000	$506,763,000	$337,851,000	$141,234,000

3. Exchange on Foreign Currency

The contributions in respect of debentures payable in U.S. funds are made in Canadian dollar equivalents, using the exchange rate prevailing on the dates the contributions are due. These contributions are immediately converted to U.S. funds and invested in securities payable in U.S. dollars. Consequently, to the extent that contributions have already been made, any future fluctuation in the Canadian dollar equivalent of U.S. dollar debentures is offset and will have no impact on the fund or the contributors. To the extent further contributions are yet to be made, exchange costs will be met by the contributors at the dates such contributions are payable.



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Allan G. Andrews, C.A., *Metropolitan Auditor*

February 10, 1984

AUDITOR'S REPORT

To the Chairman and Members of
The Metropolitan Toronto Sinking Fund Committee

I have examined the balance sheet of The Metropolitan Toronto Sinking Funds as at December 31, 1983, and the statements of funds available and required for debenture debt redemption and statements of surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Sinking Funds as at December 31, 1983 and the results of their operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

METROPOLITAN AUDITOR

THE METROPOLITAN TORONTO SINKING FUNDS

BALANCE SHEET

DECEMBER 31, 1983

(with comparative figures for 1982)

	Canadian Fund		U. S. Fund	
	1983	1982	1983	1982
	(in thousands)			
ASSETS				
CURRENT ASSETS				
Cash	$ 150	$ 72	$ 93	$ 52
Temporary investments	44,728	30,743	6,300	9,800
Accrued interest	10,615	11,541	3,151	2,306
	55,493	42,356	9,544	12,158
LONG TERM INVESTMENTS (note 2)	482,030	520,825	132,604	100,140
	$537,523	$563,181	$142,148	$112,298
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$ 30,760	$ 26,215	$ 914	$ 755
ACTUARIAL REQUIREMENTS AND SURPLUS				
Actuarial requirements	399,416	424,348	118,129	95,140
Surplus:				
Reserve for abatement of future levies	65,806	66,694	7,144	5,124
Unappropriated surplus	41,541	45,924	15,961	11,279
	107,347	112,618	23,105	16,403
Total actuarial requirements and surplus (note 3)	506,763	536,966	141,234	111,543
	$537,523	$563,181	$142,148	$112,298

(see accompanying notes)

THE METROPOLITAN TORONTO SINKING FUNDS
STATEMENTS OF FUNDS AVAILABLE AND REQUIRED FOR DEBENTURE DEBT REDEMPTION
FOR THE YEAR ENDED DECEMBER 31, 1983
(with comparative figures for 1982)

	Canadian Fund		U. S. Fund	
	1983	1982	1983	1982
	(in thousands)			
FUNDS AVAILABLE				
From reserve for abatement of future levies	$ 16,236	$ 14,992	$ 1,206	$ 643
From current year's receipts:				
Contributions	16,535	14,250	17,860	18,425
Investment income	54,241	54,362	13,962	10,979
	87,012	83,604	33,028	30,047
FUNDS REQUIRED				
Provision for actuarial requirement for current year	45,287	42,011	24,206	23,069
Excess of funds available over funds required	$ 41,725	$ 41,593	$ 8,822	$ 6,978

(see accompanying notes)

THE METROPOLITAN TORONTO SINKING FUNDS

STATEMENTS OF SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1983

(with comparative figures for 1982)

	1983			1982
	Unappropriated	Reserve for Abatement of Future Levies	Total	Total
		(in thousands)		
CANADIAN FUND				
Balance, beginning of year	$ 43,924	$ 66,694	$ 112,618	$ 112,232
Funds used to reduce contributions for current year (note 1(e))		(16,236)	(16,236)	(14,992)
Excess of funds available over funds required for current year	41,725		41,725	41,593
	41,725	(16,236)	25,489	26,601
Refunds to contributors	(30,760)		(30,760)	(26,215)
Appropriation to reserve for abatement of future levies (note 1(e))	(15,348)	15,348		
Balance, end of year	$ 41,541	$ 65,806	$ 107,347	$ 112,618
U. S. FUND				
Balance, beginning of year	$ 11,279	$ 5,124	$ 16,403	$ 10,823
Funds used to reduce contributions for current year (note 1(e))		(1,206)	(1,206)	(643)
Excess of funds available over funds required for current year	8,822		8,822	6,978
	8,822	(1,206)	7,616	6,335
Refunds to contributors	(914)		(914)	(755)
Appropriation to reserve for abatement of future levies (note 1(e))	(3,226)	3,226		
Balance, end of year	$ 15,961	$ 7,144	$ 23,105	$ 16,403

(see accompanying notes)

THE METROPOLITAN TORONTO SINKING FUNDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1983

1. ACCOUNTING POLICIES

(a) General

The Sinking Fund Committee maintains separate financial records for the Canadian dollar and U.S. dollar Funds. Separate records are also maintained for the portions of these Funds subject to differing actuarial rates in the computation of earnings in order to ensure an equitable distribution of total earnings amongst the various contributors to the Funds. Transfers of investments between these individual portions of the Funds, which are authorized from time to time by the Committee to provide for cash flow obligations are treated as sales and purchases respectively. Accordingly, the financial statements of each Fund reflect the combined financial operations of each of its portions.

(b) Foreign Currencies

The Sinking Fund Committee receives annual levies for the U.S. Fund in U.S. dollars and it is the policy of the Committee to invest such amounts in securities payable in U.S. dollars to meet the par value of sinking fund debentures payable in U.S. dollars. The figures on the financial statements shown for the Canadian Fund and the U.S. Fund are expressed in Canadian and U.S. dollars respectively.

(c) Investments

All investments, other than temporary investments, are purchased with the intention of holding them until maturity and are recorded at cost price adjusted annually for amortization of discount or premium on the basis of the effective annual yield as determined at the date of purchase.

(d) Actuarial Requirements

Actuarial requirements of the sinking fund provisions for debentures of the Metropolitan Corporation represent the amounts required which, together with interest compounded annually, will be sufficient to retire the related debentures at maturity. Such amounts were based on a rate of 3% per annum on debt issued prior to January 1, 1976 and 5% per annum on debt issued after that date, with a rate not exceeding 8% to be effective on debt issued subsequent to February 23, 1983.

(e) Earnings, Surplus and Reserve for Abatement of Future Levies

To the extent that earnings of the Funds are in excess of the amounts required to meet actuarial requirements for retirements in any year, they are transferred to surplus. When funds accumulated in surplus in this manner for debentures issued under any specific by-law exceed the actuarial requirements at that date for that by-law, such excess funds may be appropriated to the reserve for abatement of future levies and used to reduce the required contributions in current and future years, subject to prior approval by the Ontario Municipal Board.

In the current year, $15,348,000 in the Canadian Fund and $3,226,000 in the U.S. Fund have been appropriated in this manner, and $16,236,000 in the Canadian Fund and $1,206,000 in the U.S. Fund have been used from the reserve to reduce contribution requirements.

(f) Accounts Payable - Refunds to Contributors

Where amounts have accumulated in sinking fund accounts, relating to specific debenture by-laws, which are more than sufficient to redeem the principal amounts of the related debentures, then any excess funds may be either refunded to contributors or used to increase the amounts at the credit of other sinking fund accounts of the same contributors.

It has been the practice of the Sinking Fund Committee to refund such excess amounts to the contributors with the recommendation that the excess amounts be used to defray the cost of other capital expenditures in lieu of the issue of debentures therefor.

2. INVESTMENTS AT AMORTIZED COST

Investments consist of the following:

	Canadian Fund		U. S. Fund	
	1983	1982	1983	1982
	(in thousands)			
Debentures issued or guaranteed by:				
Government of Canada	$ 47,164	$ 46,189	$ 14,433	$ 9,907
Province of Ontario	25,698	36,278	17,079	14,256
Other provinces	21,757	25,412	22,881	14,366
Municipality of Metropolitan Toronto	316,749	350,367	74,039	57,291
Area municipalities		7		43
Other municipalities	69,960	61,869	4,172	4,277
School boards	702	703		
	$482,030	$520,825	$132,604	$100,140
Par value	$514,919	$557,200	$141,348	$107,926
Market value	$472,136	$506,080	$129,705	$100,367

3. TOTAL ACTUARIAL REQUIREMENTS AND SURPLUS

Component parts of the total actuarial requirements and surplus are detailed below:

	3% Portion		5% Portion	
	1983	1982	1983	1982
	(in thousands)			
Canadian Fund				
Metropolitan purposes:				
General	$225,307	$229,610	$ 10,692	$ 6,556
Schools:				
Public	24,128	42,413		
Secondary	29,207	38,986		
	53,335	81,399		
Public utilities:				
Waterworks	77,116	79,371	1,932	1,225
Toronto Transit Commission	12,869	11,511		
	89,985	90,882	1,932	1,225
Total Metropolitan purposes	368,627	401,891	12,62[illegible]	7,781
Area municipality purposes	101,312	108,634	13,072	6,472
Province of Ontario purposes	11,128	12,188		
	$481,067	$522,713	$ 25,696	$ 14,253
U. S. Fund				
Metropolitan purposes:				
General			$ 44,318	$ 34,962
Schools:				
Public				
Secondary				
Public Utilities:				
Waterworks	$ 5,403	$ 5,403	14,845	11,677
Toronto Transit Commission	2,599	2,599		
	8,002	8,002	14,845	11,677
Total Metropolitan purposes	8,002	8,002	59,163	46,639
Area municipality purposes	1,974	3,156	72,095	53,746
Province of Ontario purposes				
	$ 9,976	$ 11,158	$131,258	$100,385

THE METROPOLITAN TORONTO SINKING FUNDS

SCHEDULE OF ACTUARIAL REQUIREMENTS

FOR RETIREMENT OF DEBENTURES

FOR THE YEAR ENDED DECEMBER 31, 1983

(with comparative figures for 1982)

	Canadian Fund		U. S. Fund	
	1983	1982	1983	1982
	(in thousands)			
Balance, beginning of year	$ 424,348	$ 432,675	$ 95,140	$72,180
Add:				
Actuarial requirements for year	45,287	42,011	24,206	23,069
	469,635	474,686	119,346	95,249
Deduct:				
Par value of debentures matured in year	70,219	50,338	1,217	109
Balance, end of year	$ 399,416	$ 424,348	$118,129	$95,140

THE METROPOLITAN TORONTO SINKING FUNDS

SCHEDULE OF INVESTMENT INCOME

FOR THE YEAR ENDED DECEMBER 31, 1983

(with comparative figures for 1982)

	Canadian Fund		U. S. Fund	
	1983	1982	1983	1982
	(in thousands)			
Interest Earned:				
On investments	$ 47,119	$ 47,094	$ 12,373	$ 9,826
On bank deposits	8	18		
	47,127	47,112	12,373	9,826
Add:				
Amortization of discount re investments	7,134	7,269	1,625	1,195
	54,261	54,381	13,998	11,021
Deduct:				
Amortization of premiums re investments	20	19	36	42
	$ 54,241	$ 54,362	$ 13,962	$10,979

THE METROPOLITAN TORONTO SINKING FUNDS
FIVE YEAR PROJECTION OF DEBENTURE MATURITIES
DECEMBER 31, 1983

	Canadian Fund	U. S. Fund
	(in thousands)	
1983	*70,219	* 1,217
1984	70,665	142
1985	77,521	
1986	61,598	73,513
1987	76,207	33,405
1988	30,483	107

* The actual maturities are shown for 1983.

POOR

QUALITY

ORIGINAL